

August 4, 2003

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2d Fl.
Boston, MA

Re: NSTAR, D.T.E. 03-47

Dear Secretary Cottrell:

Enclosed for filing please find responses of David J. Effron to the Company's First Set of Information Requests on behalf of the Attorney General. Thank you.

Sincerely,

Edward G. Bohlen
Assistant Attorney General

Enclosures

NSTAR
D.T.E. 03-47

RESPONSES ON BEHALF OF THE ATTORNEY GENERAL
TO NSTAR'S FIRST SET OF INFORMATION REQUESTS

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-1
Date: August 4, 2003

NSTAR-1-1 Please provide copies of (1) all prefiled testimony or reports (including all associated exhibits and attachments) submitted by Mr. Effron to state and federal regulatory authorities (including the Federal Energy Regulatory Commission and the Securities and Exchange Commission) from 1993 to the present; and (2) transcripts of Mr. Effron's testimony at hearings before state and federal regulatory authorities (including the Federal Energy Regulatory Commission and the Securities and Exchange Commission) from 1993 to the present relating to: (1) ratemaking for pensions and post-employment benefits other than pensions ("PBOP"); (2) accounting for pension and PBOP expenses; (3) a reconciliation adjustment mechanism relating to any utility cost element; and (4) cost of capital.

Response:

Mr. Effron does not maintain a data base of subjects addressed in prior testimonies. He will provide copies of all prefiled testimony or reports from 1993 to the present for inspection and copying at his office to a designated representative of the Company on reasonable notice.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-2
Date: August 4, 2003

NSTAR-1-2 Provide copies of all regulatory decisions addressing the issues covered by Mr. Effron in testimony provided in response to NSTAR-1-1. Identify the decision making authority, docket number, year of the decision, and any official citation to the decision.

Response:

See the response to NSTAR-1-1. To the extent regulatory decisions for cases in which Mr. Effron testified are in his possession, he will provide copies of such regulatory decisions for inspection and copying at his office to a designated representative of the Company on reasonable notice.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-3
Date: August 4, 2003

NSTAR-1-3 Was Mr. Effron's selection by the Attorney General to provide testimony in this proceeding the result of a competitive bid process? If so, please provide a copy of both the Attorney General's solicitation of proposals and Mr. Effron's proposal in response.

Response:

The Attorney General objects to this request. See G.L. c. 30B, §1(b)(13).

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-4
Date: August 4, 2003

NSTAR-1-4 Please list all places of employment, positions held and the dates of employment since 1973 for Mr. Effron.

Response:

See attached resume of Mr. Effron.

RESUME OF DAVID J. EFFRON

UTILITY REGULATION EXPERIENCE

Assistance to offices representing customer interests in Rhode Island, Maryland, Massachusetts, Illinois, and Texas regarding electric utility restructuring matters.

Presentation of testimony on various utility regulation matters involving electric, gas, telephone, and water utilities in the following jurisdictions: Alabama, Arizona, Colorado, Connecticut, Florida, Georgia, Illinois, Indiana, Kansas, Kentucky, Maryland, Massachusetts, Missouri, New Jersey, New York, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, Texas, Vermont, Virginia, and FERC.

Assistance to attorneys in preparing discovery, cross-examination, post-hearing briefs, and analysis of orders; provision of technical assistance during settlement negotiations.

CABLE CONSULTING EXPERIENCE

Assistance to local franchising authorities in financial feasibility reviews, regulation of cable rates, franchise fee audits, and negotiation of franchise agreements.

OTHER BUSINESS EXPERIENCE

Supervision of capital project analysis, capital budgets, spending reports, leasing program, and special studies; feasibility studies, accounting systems, statistical surveys; audits of publicly held companies in various industries.

EMPLOYMENT HISTORY

<u>Dates</u>	<u>Company</u>
March 1982 - Present	Berkshire Consulting Services (Self employed)
January 1977 - February 1982	Georgetown Consulting Group
April 1975 - January 1977	Gulf & Western Industries
February 1973 - March 1975	Touche Ross & Company

EDUCATION

Columbia University, MBA, 1973
Dartmouth College, BA Economics, 1968

HONORS AND AWARDS

Gold Charles Waldo Haskins Memorial Award for the highest scores in the May 1974
Certified Public Accounting Examination in New York State.
Graduated from Dartmouth College with distinction in the field of Economics.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-5
Date: August 4, 2003

NSTAR-1-5 Please list all matters on which Mr. Effron has consulted in the past five years by date beginning with the most current matters. For each matter, provide a brief description of the subject matter of the project and indicate for whom these services were provided.

Response:

Mr. Effron does not maintain a data base of subjects on which he has consulted in the past five years. In addition, to the extent such consultations did not result in written testimony, such consultations are confidential. However, see attachment for general description subject matter of testimonies presented by Mr. Effron in the past five years.

Attachment NSTAR 1-5

TESTIMONIES PRESENTED BY DAVID J. EFFRON

<u>State</u>	<u>Company</u>	<u>Docket No.</u>	<u>Svc.</u>	<u>Client</u>	<u>Date</u>	<u>Subject</u>
GA	Georgia Power Company	9355-U	E	CUC	Oct-98	Alt. Reg.
GA	Atlanta Gas Light Company	14311-U	G	CUC	Apr-02	Alt.Reg., RevReq Iss.
IL	Commonwealth Edison Co.	00-0361	E	AG	Aug-00	Decommissioning
IL	Illinois Power Company	01-432	E	AG, et. al.	Nov-01	RevReq DelivSvc
IL	Commonwealth Edison Co.	01-423	E	City, et. al.	Nov-01	RevReq DelivSvc
IL	Central Illinois Light Co.	02-0428	E	AG	Oct-02	Merger
IL	Central Illinois Light Co.	02-0837	G	AG, CUB	Jun-03	Rev Req
IL	AmerenCIPS, AmerenUE	03-0008,09	G	AG	Jul-03	Rev Req
MA	NIPSCO/Bay State Gas	98-31	G	AG	Jul-98	Merger
MA	Western Mass Electric	97-120	E	AG	Nov-98	Restructuring
MA	Fitchburg Gas & Electric	99-58	E	AG	Oct-99	Restructuring
MA	Fitchburg Gas & Electric	99-110	E	AG	May-00	Trans. Charge
MA	Western Mass Electric	00-33	E	AG	May-01	Trans. Charge
MA	Fitchburg Gas & Electric	99-118	E	AG	Jun-01	Rev Req
MD	Potomac Electric Power	8791	E	MPC	Sep-98	Rev Req
MD	Baltimore Gas & Electric	8829	G	MPC	Apr-00	Rev Req
MD	Baltimore Gas & Electric	8883	E	MPC	Aug-01	Corp. Separation
MD	Pepco/Delmarva	8890	E	MPC	Oct-01	Merger
MD	Potomac Electric Power	8796	E	MPC	Mar-02	Trans. Credit
MO	Union Electric Company	EC-2002-1	E	OPC	May-02	Rev Req Issues
OH	Carroll Twmsp. Treatment Svcs.	00-1595-ST-CRC	W	OwnAssoc.	Mar-02	Rev Req
RI	Blackstone Valley, Newport	2514	E	DIV	Apr-99	PBR
RI	Narragansett, BVE, Newport	2930	E	DIV	Oct-99	Merger,Rate Plan
RI	Providence Gas Company	2581	G	DIV	Sep-00	Rate Plan
RI	Narragansett, BVE, Newport	3243	E	DIV	Dec-00	Trans. Charge
RI	New England Gas Company	3401	G	DIV	May-02	Rev. Req., Rate Plan
RI	Narragansett Electric Co.	2930	E	DIV	Sep-02	Prop.Tax Savings
RI	New England Gas Company	3459	G	DIV	Oct-02	Earnings Review
TX	Central Power & Light	21528	E	OPUC	Nov-99	Securitization
TX	TXU Electric	21527	E	OPUC	Nov-99	Securitization
VT	Vermont Yankee	6545	E	DPS	Feb-02	Plant Sale

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-6
Date: August 4, 2003

NSTAR-1-6 Please identify all documents relied upon by Mr. Effron for knowledge of the Department's pension expense ratemaking requirements. Please provide a copy of each identified document.

Response:

Mr. Effron's knowledge of the Department's pension expense ratemaking requirements is based on his experience over the years and discussions with the Office of Attorney General as well as his reading of testimony, exhibits, and responses to information requests in this case. Mr. Effron did not maintain a record of all documents reviewed in the preparation of his testimony.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-7
Date: August 4, 2003

NSTAR-1-7 Please provide a description of Mr. Effron's duties as a staff auditor at Touche Ross & Co. and the dates of such employment.

Response:

Mr. Effron's duties as a staff auditor at Touche Ross & Co. included the verification of certain balances on the financial statements of various business enterprises. The dates of such employment were February 1973 through March 1975.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-8
Date: August 4, 2003

NSTAR-1-8 While employed by Touche Ross & Co., was Mr. Effron responsible for rendering an opinion on financial statements? If the answer is yes, please indicate the specific financial statements and subject companies.

Response:

To the best of Mr. Effron's recollection, he was not responsible for rendering an opinion on financial statements while employed at Touche Ross & Co.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-9
Date: August 4, 2003

NSTAR-1-9 Did any of Mr. Effron's audit engagements at Touche Ross include regulated utilities? If so, please list the companies and a description of the engagement(s).

Response:

To the best of Mr. Effron's recollection, his audit engagements at Touche Ross did not include regulated utilities.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-10
Date: August 4, 2003

NSTAR-1-10 Has Mr. Effron prepared financial statements to be included in filings with the Securities and Exchange Commission? If so, please provide a list and description of such instances.

Response:

Mr. Effron has not prepared financial statements to be included in filings with the Securities and Exchange Commission.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-11
Date: August 4, 2003

NSTAR-1-11 Has Mr. Effron prepared financial statements to be included in filings with the Federal Energy Regulatory Commission? If so, please provide a list and description of such instances.

Response:

Mr. Effron has not prepared financial statements to be included in filings with the Federal Energy Regulatory Commission.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-12
Date: August 4, 2003

NSTAR-1-12 Please indicate if any companies for which Mr. Effron has prepared financial statements were subject to the provisions of SFAS 71.

Response:

No companies for which Mr. Effron has prepared financial statements were subject to the provisions of SFAS 71.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-13
Date: August 4, 2003

NSTAR-1-13 Is it Mr. Effron's opinion that if the Department were to approve the PAM as filed, that the Department would be limited in its review over NSTAR's benefit programs or pension trust fund investment practices?

Response:

No.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-14
Date: August 4, 2003

NSTAR-1-14 Is Mr. Effron aware of any examples of instances where regulatory commissions have adjusted allowed returns based as a direct result of the establishment of a cost reconciliation mechanism? If so, please provide citations to the cases and copies of commission decisions that made such adjustments.

Response:

Yes. In Case No. 8567, before the Maryland Public Service Commission (Columbia Gas of Maryland, 1993), the allowed return was adjusted as a direct result of the establishment of a weather normalization adjustment clause. See attached section of Agreement of Stipulation and Settlement. The Maryland Public Service Commission accepted the Agreement.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-15
Date: August 4, 2003

NSTAR-1-15 Is it Mr. Effron's opinion that NSTAR was not required to take a charge to other comprehensive income for its unfunded pension liability at the end of 2002, even if the Department had not approved the accounting order in D.T.E. 02-78? If yes, please provide the basis for the response.

Response:

It is Mr. Effron's opinion that the question of whether NSTAR would have been required to take a charge to other comprehensive income for its unfunded pension liability at the end of 2002 in the hypothetical circumstances described would depend on the Department's stated reasons for not approving the accounting order in D.T.E. 02-78. Without knowing the reasons for the disapproval in this hypothetical situation, Mr. Effron cannot answer the question.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-16
Date: August 4, 2003

NSTAR-1-16 Reference page 5, lines 9-10. Please provide all studies and other documents relied upon by Mr. Effron in support of his conclusion that “reconciliation mechanisms are contrary to sound ratemaking practice.”

Response:

Mr. Effron did not rely on any specific studies or other documents to support his conclusion that “reconciliation mechanisms are contrary to sound ratemaking practice.” Rather, this statement is based on his experience in matters related to utility regulation. Regulated utilities have an incentive to control costs when their ability to control costs affects their earned rate of return. This is a basic tenet underlying the principle of prospective ratemaking; and it is also a basic, although often unstated, tenet underlying the implementation of incentive ratemaking plans.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-17
Date: August 4, 2003

NSTAR-1-17 Reference page 5, lines 13-18. Please provide all studies and other documents known to Mr. Effron that describe the potential for volatility of pension and PBOP costs based on SFAS 87 and SFAS 106 accounting requirements.

Response:

Mr. Effron is not aware of any studies or other documents that describe the potential for volatility of pension and PBOP costs based on SFAS 87 and SFAS 106 accounting requirements.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-18
Date: August 4, 2003

NSTAR-1-18 Please identify all input assumptions (e.g., actuarial and financial, etc.) that are required to determine the Company's estimated periodic pension expense for a particular calendar year. Please identify and provide a copy of all documents used in answering this request.

Response:

The input assumptions (e.g., actuarial and financial, etc.) that are required to determine the Company's estimated periodic pension expense for a particular calendar year are identified in Statement of Financial Accounting Standards 87. Mr. Effron believes that the Company has a copy of this document in its possession. The financial/actuarial input assumptions would include, for example: the discount rate, the rate of return on pension fund assets, the annual rate of increase of future compensation, life expectancy of retirees, expected period of employment, and withdrawal rates prior to eligibility. For a more complete discussion of assumptions required to determine the Company's estimated periodic pension expense for a particular calendar year, refer to Statement of Financial Accounting Standards 87.

The Attorney General
Respondent: Effron
D.T.E. 03-47
Information Request: IR-NSTAR AG-1-19
Date: August 4, 2003

NSTAR-1-19 Reference page 9, lines 8-11. Please provide the basis for and all documents relied upon by Mr. Effron to support his conclusion that “the Company can book a regulatory asset to offset the Additional Minimum Liability and would not have to write off the prepaid pension asset.”

Response:

Mr. Effron relied primarily on Statement of Financial Accounting Standards 71 to support his conclusion that “the Company can book a regulatory asset to offset the Additional Minimum Liability and would not have to write off the prepaid pension asset” in the circumstances described. Mr. Effron believes that the Company has a copy of this document in its possession. In particular Paragraph 9 of SFAS 71 states that:

Rate actions of a regulator can provide reasonable assurance of the existence of an asset. An enterprise shall capitalize all or part of an incurred cost that would otherwise be charged to expense if both of the following criteria are met: (a) it is probable that future revenue in an amount at least equal to the capitalized cost will result from inclusion of that cost in allowable costs for rate-making purposes; (b) based on available evidence, the future revenue will be provided to permit recovery of the previously incurred cost rather than to provide for expected levels of similar future costs. If the revenue will be provided through an automatic rate-adjustment clause, this criterion requires that the regulator's intent clearly be to permit recovery of the previously incurred cost.

In the circumstances described in the cited sections of his testimony, it is Mr. Effron's belief that the “reasonable assurance” criterion of Paragraph 9 is satisfied.